

It was recognized almost from the first that the debauch of paper must come to an end, but the government had entered upon a vicious circle which was difficult to break, and its attitude towards the banks and towards its own obligations was not such as to restore confidence. Two banks were founded at about the time of the creation of the republic, with the support of French capitalists,—the National Bank of Brazil and the Bank of the United States of Brazil. They had been in operation but a short time when a decree of President Fonseca in December, 1890, based upon a report by Ruy Barbosa, the Minister of Finance, authorized the union of the two institutions under the name of the Bank of the Republic of the United States of Brazil, with a capital of 200,000,000 milreis. The new bank was authorized to issue notes to three times the amount of its gold reserve, and the charter provided that the government should grant the right of note issue in future to no new banks and that the circulation of existing banks should be remitted to the new establishment as the old ones surrendered their privileges. The existing banks of issue numbered six, with a limit of circulation of 166,000,000 milreis. The new bank undertook the retirement of the government paper money, which had been in circulation for some fifteen years and still amounted in June, 1891, to 168,000,000 milreis.

A new organization was given to the Bank of the United States of Brazil by an Act of December 17, 1892, under the title of the Bank of the Republic of Brazil. The capital was reduced from 190,000,000 milreis to 150,000,000 milreis, the notes were made legal tender, and the bank was pledged to retire 100,000,000 milreis in bills within the year 1893.¹ The circulation of the bank, including interest-bearing bonds, which were made legal tender and receivable at public depositaries, and including the circulation of other bank bills assumed by the consolidated bank, reached 379,390,720 mil-

exchange at 23⁴ in 1890, the gold value of the currency worked out at ;f 28,073,000; at 5[^] in 1898, it worked out at ^23,537,000. ¹ *Revue des Banques*, January, 1893, XII., 293.